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## HIDE AND LEATHER SITUATION

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Cattle slaughter under Federal inspection in the first half of this year was about 5 percent above 1962. Current estimates indicate this higher rate will continue for the remainder of 1963. Cattle slaughter for the year is expected to supply the largest volume of hides ever produced--about 4.5 percent to 5.0 percent above the 26.9 million hides in 1962.

Domestic consumption of cattle hides in the first 6 months of 1963 was down from a year earlier. Leather shoe production, which customarily consumes 85 percent of the leather supply, was down about 9 percent. Estimated leather shoe production in the first half amounted to 297 million pairs compared with about 321 million pairs a year earlier.

Because of increased hide production and decreased leather shoe production, hide prices have declined to the pre-war levels. Hide futures are at their lowest point in 25 years. Heavy native steer hide prices (Chicago basis) have fallen 4-5 cents a pound from the 1962 average of 15.3 cents a pound. Some other classes of cattle hides have had similar price declines since January; trade sources indicate that some country-locker-butcher hides are difficult to move even at 6 cents a pound f.o.b.

Hide Exports Increase

Cattle hide exports the first 6 months this year were 3.5 million pieces, compared with 3.3 million the first half of 1962. Japan has been the principal buyer, purchasing about 45 percent of U. S. hide exports this year.

Traditionally, U. S. cattle hide exports during the second half of the year have been higher than during the first 6 months. This pattern probably will continue in 1963. Thus, total hide exports for the year may be about 7.3 million pieces.

For Argentina, our largest competitor for world hide markets, the seasonality in hide exporting is generally the reverse of our pattern. With summer-time fast approaching in the Argentine, cattle slaughter and the resulting hide exports are expected to slump seasonally. This will likely benefit the U. S. hide export business for the next 6 months.

European demand for U. S. hides was less than usual during the first half of 1963, because of a buildup in European hide inventories at the end of 1962 and a decrease in consumer demand for leather products. However, indications are that these inventories have been reduced and an improved European demand may be forthcoming this fall.

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Hide Prices  
to Continue Low

An upturn in hide prices in the fourth quarter is unlikely. Hide inventories at the packer-dealer level, including some carryover from 1962, appear to be increasing. If the expected heavy slaughter of cattle materializes during the remainder of 1963, larger inventories may develop. Hide prices are likely to fall. Some trade sources believe leather shoe production for the year may total between 610 million and 620 million pairs. This estimate appears optimistic, because leather shoe production is encountering strong competition from synthetic materials, sneakers, open types of shoes, and shoe imports. Apparently there will be no easing of this competition.

The long-range outlook for an upturn in hide prices is not favorable unless a stronger-than-expected domestic and foreign demand for hides develops this fall and unless inventories in packer and dealer hide cellars can be worked down to near-normal levels.

Table 7.--Selected statistics for the hide and leather industry,  
the first six months, 1962 and 1963

Item	Unit	January-June 1962	January-June 1963	Percentage change
FI slaughter <u>1/</u>	Thous. head	9,903	10,402	+5
Other commercial slaughter	Thous. head	2,795	2,736	-2
Total commercial slaughter	Thous. head	12,698	13,128	+3
Hide exports	Mil. pieces	3.3	3.5	+6
Leather shoe production	Mil. pairs	321	297	-9
Hide prices, Chicago				
Heavy native steers	Cents per lb.	14.75	11.73	-20
Light cow	"	20.12	14.22	-29
Colorado steers	"	12.22	9.82	-20
Calf skins	"	65.8	42.0	-36

1/ Slaughter in federally inspected plants.



